

ROAD USE AGREEMENT

THIS AGREEMENT constitutes a legal and binding AGREEMENT between **JEFFERSON COUNTY**, PO Box H, Boulder, Montana a political subdivision of the State of Montana, acting by and through it's **BOARD OF COUNTY COMMISSIONERS** hereinafter called the **COUNTY**, and **ELKHORN GOLDFIELDS Inc.**, hereinafter called **CORPORATION**;

The parties to this AGREEMENT in consideration of the mutual promises, benefits and agreements set forth herein, agree as follows:

1. PURPOSE. The purpose of this contract is to set forth the terms and provisions of an improvements agreement to satisfy requirements of Jefferson County for any and all road improvements to Elkhorn Road done by Corporation over the life of the project.

2. ASSURANCE OF PERFORMANCE. The Corporation shall make a prepayment of \$100,000.00 payable to Bullock Construction before crushing gravel or county road work begins on the Jefferson County Elkhorn Rd. Said prepayment involves a separate agreement between the Corporation and Bullock Construction as a sub-contractor that does not involve the County and requires no County dollars.

3. TERMS. The Corporation hereby agrees to the following:

Upon startup, which is currently planned for, 2007, the Corporation shall place approximately \$200,000, worth, of gravel on the Elkhorn Road from the beginning of Elkhorn Road off of Highway 69 to the start of the Forest Service ownership of the roadway. It is expected that Corporation shall continue improvements up to the town-site of Elkhorn.

The Corporation shall be responsible for yearly maintenance on the Elkhorn Road for the duration of this agreement due to heavy truck traffic that will create necessary maintenance.

In 2008, and upon approval of an operating permit from the MDEQ, the Corporation shall reconstruct 1.5 miles of Elkhorn road, starting at Highway 69. Reconstruction shall consist of widening, flattening of slopes, clearing of brush, moving/rebuilding of fences and gravel, not to exceed \$100,000.00. Jefferson County and The Corporation shall coordinate with adjacent property owners to acquire additional right of way for the roadway and fencing.

In 2009, the Corporation shall re-construct an additional 1.5 miles of Elkhorn road, starting at the end of the 2008 re-construction towards the Elkhorn townsite, if the mine is in the production phase of mine life. Reconstruction shall consist of widening, flattening of slopes, clearing of brush, moving/rebuilding of fences and gravel, not to exceed \$100,000.00. Jefferson County and The Corporation shall coordinate with adjacent property owners to acquire additional right of way for the roadway and fencing.

In 2010, the Corporation shall re-construct an additional 1.5 miles of Elkhorn road, starting at the end of the 2009 re-construction towards the Elkhorn townsite, if the mine is in the production phase of the mine life. Reconstruction shall consist of widening, flattening of slopes, clearing of brush, moving/rebuilding of fences and gravel not to exceed \$100,000.00. Jefferson County and The Corporation shall coordinate with adjacent property owners to acquire additional right of way for the roadway and fencing.

In 2011, the Corporation shall re-construct an additional 1.5 miles of Elkhorn road, starting at the end of the 2010 re-construction towards Elkhorn townsite, if the mine is in the production phase of the mine life. Reconstruction shall consist of widening, flattening of slopes, clearing of brush, moving/rebuilding of fences and gravel, not to exceed \$100,000.00. Jefferson County and The Corporation shall coordinate with adjacent property owners to acquire additional right of way for the roadway and fencing.

In 2012, the Corporation shall re-construct an additional 1.5 miles of Elkhorn road, starting at the end of the 2011 re-construction towards Elkhorn townsite, if the mine is in the production phase of the mine life. Reconstruction shall consist of widening, flattening of slopes, clearing of brush, moving/rebuilding of fences and gravel, not to exceed \$100,000.00. Jefferson County and The Corporation shall coordinate with adjacent property owners to acquire additional right of way for the roadway and fencing.

In future years following 2012, the Corporation will be responsible for road maintenance and repairs and any re-construction not previously completed on the Elkhorn Road in past years.

and no statements, promises or inducements made by either party, by any agent or representative of either party, which are not contained in the written contract shall be valid or binding; and this contract may not be enlarged, modified or altered except as provided in Section 5, above.

9. FAILURE OF ENFORCEMENT IS NOT A WAIVER. Failure of the County to enforce any of the provisions of this contract, shall in no way be construed to be a waiver of such provisions, nor in any way affect the validity of this contract or any part thereof, or the right of the County to thereafter enforce each and every provision of this Contract.

10. DISPUTES. It is mutually agreed that the performance or breach of this Contract and its interpretation shall be governed by the laws of the State of Montana. In the event of litigation concerning the terms of this contract, venue shall be in the Montana Fifth Judicial District, Jefferson County.


11. INSURANCE. The Corporation and any approved subcontractors shall provide to Jefferson County proof of liability insurance in the amount of at least One million dollars (1,000,000.00) prior to the beginning of any construction work upon the county road, each year.

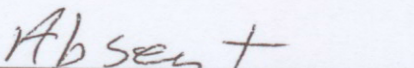
12. EXECUTION. This Contract shall be executed in two duplicate originals, each of which shall be deemed to be an original.

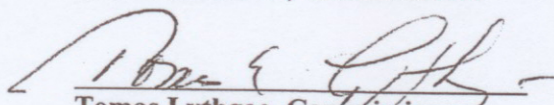
DATED this 17 day of April, 2007.

Jefferson County, Montana

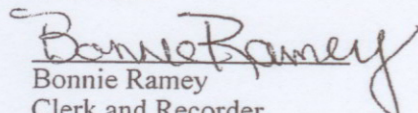
By:


Ken Weber, Chair


Chuck Notbohm, Commissioner


Tomas Lythgoe, Commissioner

ATTEST:


Bonnie Ramey
Clerk and Recorder

Corporation

Shane Parrow
Shane Parrow
General Manager